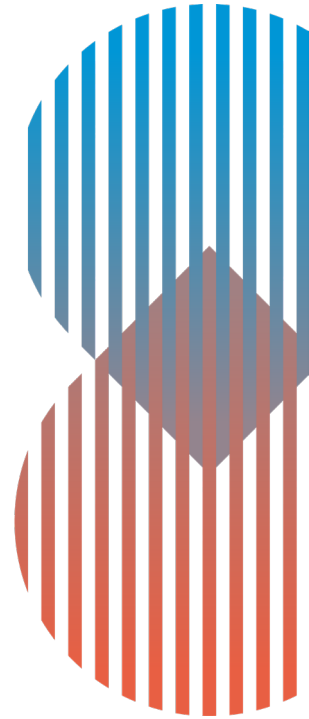


DTCC FICC FORUM 2022



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pigeonhole.at

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FICC2022

TODAY'S AGENDA

1

Opening Remarks, DTCC Overview & FICC Overview

Laura Klimpel - General Manager of FICC and Head of SIFMU Business Development, DTCC

2

Government Securities Division Overview

Brian Disken - Executive Director, Fixed Income Product Management, DTCC

3

Proposed Treasury Central Clearing with Live Q&A

Laura Klimpel & Brian Disken

4

Panel Discussion with Q&A

Laura Klimpel - General Manager of FICC and Head of SIFMU Business Development, DTCC

Brian Disken - Executive Director, Fixed Income Product Management, DTCC

John Vinci - Executive Director, Relationship Management DTCC

Andrea Pfenning - Global COO for Clearance & Collateral Management, BNY Mellon

John Morik - Head of Product and Strategy for GSS (Government Securities Services - US), BNY Mellon



AN OVERVIEW OF DTCC AND FICC

Laura Klimpel - General Manager of FICC and Head of SIFMU Business Development, DTCC

This document is only for informational purposes only. Capitalized terms used in the descriptions of FICC's services and not otherwise defined herein have the meaning assigned to them in either the MBSD Rules or the GSD Rules ("Rules"), as appropriate. Reference should be made to the Rules for a complete statement of the rules and procedures, and the rights, obligations, and other requirements applicable to use of the service of FICC. In the case of any discrepancy between descriptions of FICC's services in this document and the Rules, the Rules shall govern. Current versions of the Rules are available at <https://www.dtcc.com/legal/rules-and-procedures>

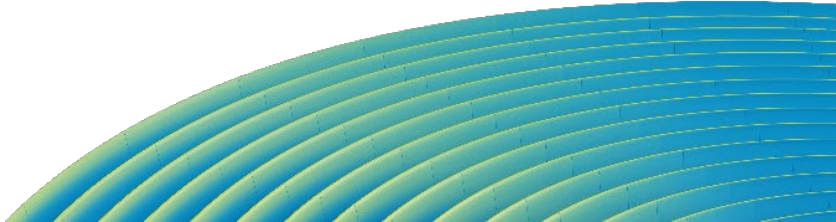
About DTCC

ADVANCING FINANCIAL MARKETS. TOGETHER.

OUR PROMISE: We deliver resiliency, value and expertise for our clients. We were built in partnership with the industry to provide stability and efficiency in the global capital markets. With a focus on exceptional service, we promise to advance solutions and next-level innovation.

With over **45 years of experience**, DTCC is the **premier post-trade market infrastructure** for the global financial services industry.

From operating facilities and data centers around the world DTCC, through its subsidiaries, **automates, centralizes, and standardizes** the processing of financial transactions across the trade lifecycle and **mitigates risk** for **thousands of institutions** worldwide.



DTCC

...**partners with clients** to create market **efficiencies** that reduce industry and organizational costs through huge economies of scale

...helps **secure** the financial markets, driving out industry and client risks through its **world-class infrastructure**

...provides key information on the movement of markets; we are a major provider of **market intelligence**

...**keeps the global markets moving**

We Simplify The Complexities

OF

Institutional Trade Processing
Clearing
Settlement
Asset Servicing
Collateral Management
Global Trade Reporting
Data Services

FOR

Alternative Investment Products
Corporate & Municipal Bonds
Derivatives
Equities
Government & Mortgage-Backed
Securities
Insurance Transactions
Money Market Investments
Mutual Funds

WITH

Broker/Dealers
Custodian Banks
Fund Companies
Institutional Investors
Insurance Carriers & Distributors
Investment Managers
Issuers
Trust Companies
Central Securities Depositories
Exchanges and Marketplaces
Service Bureaus
Transfer Agents

WE BRING ECONOMIES OF SCALE

\$2.37 QUADRILLION

SECURITIES PROCESSED IN 2021

FIXED INCOME CLEARING

Processes **\$4.5 trillion** per day in U.S. Government Securities and a monthly average of **8.35 trillion** Mortgage-Backed Securities transactions

SETTLEMENT & ASSET SERVICES

World's largest depository holds **1.39 million** active U.S. issues worth **\$87 trillion**

Settles **643 million** U.S. Transactions per year

EQUITIES CLEARING

Clears **202 million** Broker-to-Broker Transactions Per Day Worth **\$2.02 trillion** for **50+** Exchanges and Trading Venues

DERIVATIVES REPORTING

Covers all asset classes and processes **16.5 billion** messages annually for **8,500+ firms globally**

60+ regulators across the globe have access to our data from across **35** countries

INSTITUTIONAL TRADE PROCESSING

Processes an average of **3.3 million** institutional trades daily

Our unique capabilities and decades of experience deliver a network no other market infrastructure can match – **5,850 CLIENT FIRMS IN 93 COUNTRIES.**

What Drives Us

DTCC is an extension of our clients' infrastructure, aligned in purpose and governed by the industry



DTCC Services



INSTITUTIONAL TRADE PROCESSING (ITP)

GMEI®
ALERT®
CTM®
Tradesuite ID®
Connect™
Settlement Instruction Manager
Settlement Status Manager
Margin Transit Utility (MTU)
ITP Data Analytics

WEALTH MANAGEMENT SERVICES

Mutual Fund Services
Alternative Investment Product Services
Insurance & Retirement Services

CLEARING SERVICES

Equities Clearing
Equities Clearing – Trade Capture
Fixed Income – GSD
Fixed Income – MBSD
CMU Division

SETTLEMENT & ASSET SERVICES

Underwriting
Issuer Services
Corporate Actions Processing
Securities Processing
Settlement
Global Tax Services
Agent Services

REPOSITORY & DERIVATIVES SERVICES (RDS)

Repository Services
Derivatives Services
DTCC Report Hub®

DATA SERVICES

Corporate Actions & Reference Data
Market Aggregates & Analytics

ENTERPRISE SERVICES

DTCC Consulting Services
Risk Management

DTCC Clearing Services are offered through DTCC subsidiaries National Securities Clearing Corporation (NSCC) and Fixed Income Clearing Corporation (FICC). DTCC Settlement and Asset Services are offered through DTCC subsidiary The Depository Trust Company (DTC).

DTCC: Businesses and Solutions

INSTITUTIONAL TRADE PROCESSING

Institutional Trade Processing

DTCC's Institutional Trade Processing (ITP) service suite combines DTCC's global solution for legal entity identifiers, unparalleled settlement capabilities with market-leading pre-trade and matching services, offering buy-side, sell-side and custodian firms an end-to-end no-touch processing solution for their trading activity.

CLEARING SERVICES

Equities Clearing

DTCC clears and settles virtually all broker-to-broker equity, listed corporate and municipal bond and unit investment trust (UIT) transactions in the U.S. equities markets

Fixed Income Clearing

Provides trade comparison, netting and settlement services for the government and mortgage-backed securities markets, providing efficiency, transparency and risk mitigation

SETTLEMENT AND ASSET SERVICES

Settlement Services

Settlement completes the transfer between trading parties of securities ownership and cash. DTCC settles virtually all broker-to-broker equity and listed corporate and municipal debt securities transactions in the U.S. as well as institutional trades, money market instruments and other financial obligations

Asset Services

The payment and transfer of securities ownership occurs at DTCC's DTC subsidiary, which provides custody and asset services such as underwriting, securities and corporate actions processing, global tax services and issuer services

DTCC: Businesses and Solutions

WEALTH MANAGEMENT SERVICES

Mutual Fund Services (MF)

MF delivers innovative transactional and information services that automate, standardize and centralize processes to create efficiencies and reduce cost and risk for the mutual fund marketplace

Alternative Investment Product (AIP) Services

AIP provides one standard, efficient end-to-end process for alternative investments such as hedge funds, funds of funds, private equity, non-traded real estate investment trusts (REITs), managed futures and limited partnerships

Insurance & Retirement Services (I&RS)

I&RS generates secure, automated and standardized low-cost infrastructure solutions that bring efficiencies to insurance carrier and distributor clients and the insurance marketplace as a whole

REPOSITORY AND DERIVATIVES SERVICES

Repository Services

DTCC provides trade repository services for derivatives and securities financing transactions through its Global Trade Repository service (GTR), the industry leader in trade reporting. As the only industry-owned and -governed global provider of trade reporting services, GTR is uniquely positioned to help market participants address some of their most important operational and regulatory challenges in an ever-evolving environment.

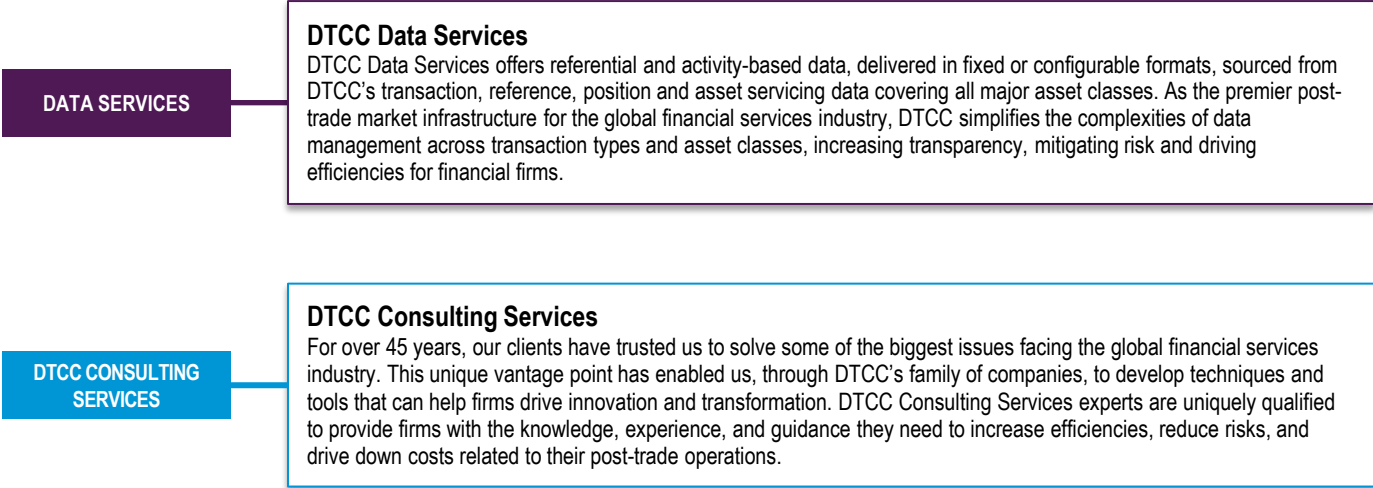
Derivatives Services

DTCC's Derivatives Services mitigate the risks and increase the efficiency of derivatives post-trade processing by automating critical operations in the lifecycle of credit derivatives. Derivatives Services' offerings include the Trade Information Warehouse (TIW), the industry's leading asset servicing infrastructure for credit derivatives worldwide.

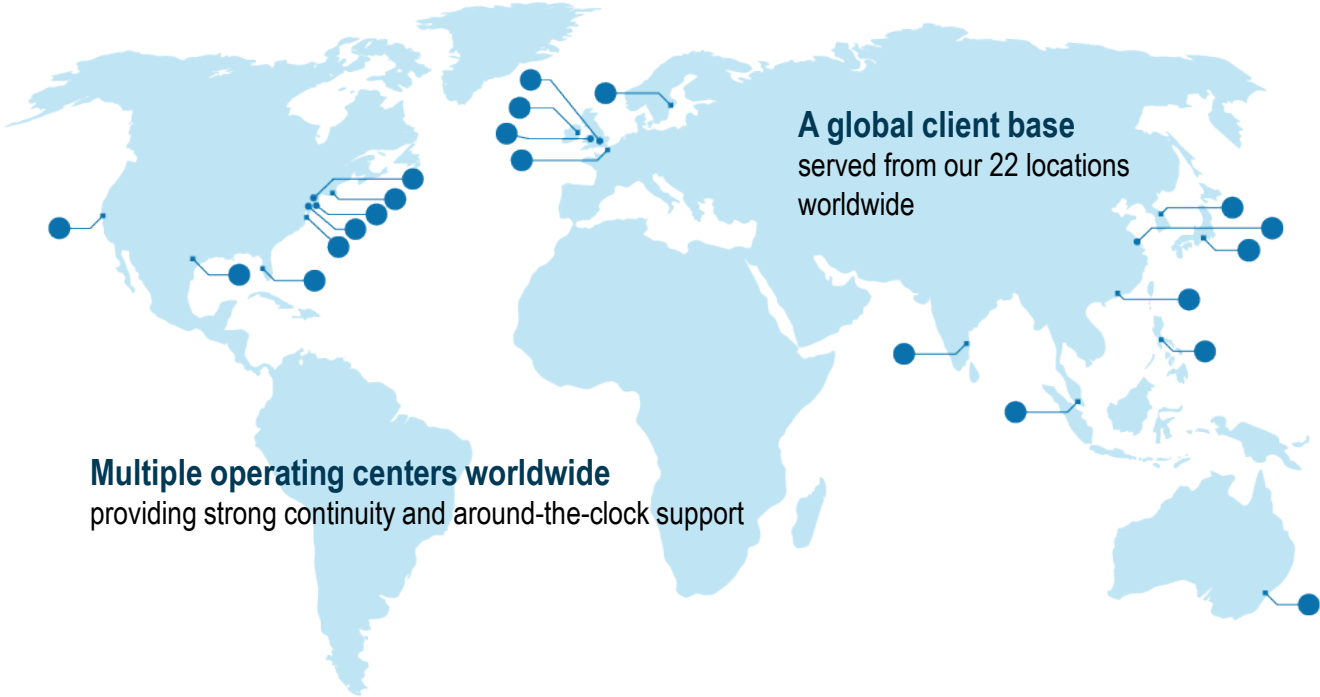
DTCC Report Hub

DTCC Report Hub's unparalleled functionality enables firms to: manage the complexities of trade reporting across 14 jurisdictions covering global derivatives regulation, Securities Financing Transactions Regulation (SFTR) and Markets in Financial Instruments Directive II (MiFID II) with a robust control framework; minimize the burden of updating your reporting processes to stay current with changing mandates; and unleash the potential of resilient, scalable, and intuitive technology to help firms master their pre and post reporting assurance tasks.

DTCC: Businesses and Solutions



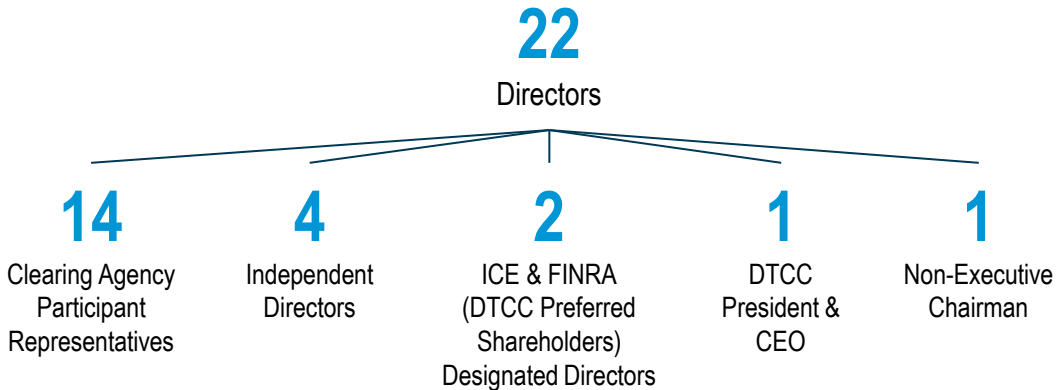
Our Global Presence



DTCC Governance

DTCC is owned by its common shareholders – each of whom is a participant user of one of DTCC’s wholly-owned, regulated clearing agency subsidiaries.

BOARD OF DIRECTORS



Directors also serve on Board committees having responsibility to provide oversight in particular areas, as designated by the Board.

Who Supervises Us

OUR REGULATORS





FIXED INCOME CLEARING CORPORATION

Mortgage-Backed Securities Division Overview

Laura Klimpel - General Manager of FICC and Head of SIFMU Business Development, DTCC

Introduction

- The Mortgage-Backed Securities Division of the Fixed Income Clearing Corporation provides real-time automated and trade matching, operational trade novation, trade confirmation, risk management, netting and electronic pool notification to the mortgage-backed securities market.
- Key participants in this market are mortgage originators, government-sponsored enterprises, registered broker/dealers, institutional investors, investment managers, mutual funds, commercial banks, insurance companies and other financial institutions.
- Services include:
 - Real-Time Trade Matching
 - Operational Trade Novation with FICC as Central Counterparty (CCP)
 - Electronic Pool Notification Services
 - TBA and Pool Netting Services
 - Do-Not-Allocate (DNA) Service
 - Mortgage-Backed Securities Clearing Services

Benefits

- Risk reduction
 - Trade novation and guarantee service mitigate counterparty and credit risk.
 - Trade matching addresses business and regulatory demand for more timely and transparent trade reporting.
- Operational cost reduction
 - 97% netting rate in TBA market, Pool Netting reduces settlement of pools by 40%.
 - Over 200,000 Odd-Lot transactions (value: \$4.7T) processed in the TBA Net between November 2017 and April 2018.
 - 65 - 70% reduction in pool allocations due to DNA.



FIXED INCOME CLEARING CORPORATION

Government Securities Division Overview

Brian Disken - Executive Director, Fixed Income Product Management, DTCC

Introduction

- The Government Securities Division (GSD) is the leading provider of trade comparison, netting, novation, risk management and settlement for the government securities market.
- The GSD was founded as the Government Securities Clearing Corporation (GSCC) in 1986 by the primary dealer community.
- Account Types: Netting Member, Sponsored Member, Sponsoring Member, CCIT Member, Comparison Only Member, Executing Firms and Funds-Only Settlement Banks.

GSD Statistics

Accounts

- Netting Members – 200+
- Sponsoring Members – 33
- Sponsored Members – 1,900+
- CCIT Members – 7
- Comparison Only Members – 6
- Executing Firms – 1,300+

2022 Transaction Averages

- GSD Average Daily Volume – 398k trades vs. \$4.54 trillion
- Comparison Percentage – 99% (Buy/Sell) 99.93% (Repo)
- Netting Percentage – 89.5% (# of trades) 72.3% (\$ value of trades)

November 2022 Daily Averages

- Sponsored Avg. Daily Volume - \$375 billion
- Sponsored GC Avg. Daily Volume - \$25 billion

GSD Trade Capture Platform

Real-Time Trade Matching (RTTM®)

- Centralized automated facility to submit trades to FICC for intra-day matching and comparison.
- Members submit trades to RTTM interactively using standardized message types.
- Three submission modes: bilateral, locked-in (unilateral), demand (brokered repo).
- Provides immediate feedback on status changes and electronic trade confirmations.
- Evidences valid, binding and enforceable contract between trade counterparties.
- Types of trades flowing into RTTM include buy/sell, DVP repo, Auction Awards, Sponsored DVP, GCF Repo, Sponsored GC and CCIT Transactions.

Delivery vs. Payment (“DVP”) Service

- Eligible transactions: Buy/Sell trades and DVP Repo (overnight, term and forward).
- Eligible securities: U.S. Treasury Bills, Bonds, Notes, Treasury Zero Coupon Securities, U.S. Treasury Inflation Protection Securities (TIPS), Fixed Rate Non Mortgage-Backed Agency Securities, U.S. Treasury Floating Rate Notes.
- Netting: Repo and reverse repo transactions netted with member’s other activity (buy/sell transactions, Auction Awards and Fails) in same CUSIP with the next business date settlement.
- Benefits: Reduced settlements and lower risk due to Trade Novation.
- Same Day Settlement on eligible transactions.

Auction Takedown

- Eligible securities: U.S. Treasuries.
- Auction awards submitted to FICC from the FRBNY on a locked-in basis.
- Awards are netted with secondary market trades in same security reducing securities movement.
- Settlement occurs with FICC on issue date for newly-issued/re-issued U.S. Treasury securities.

Netting

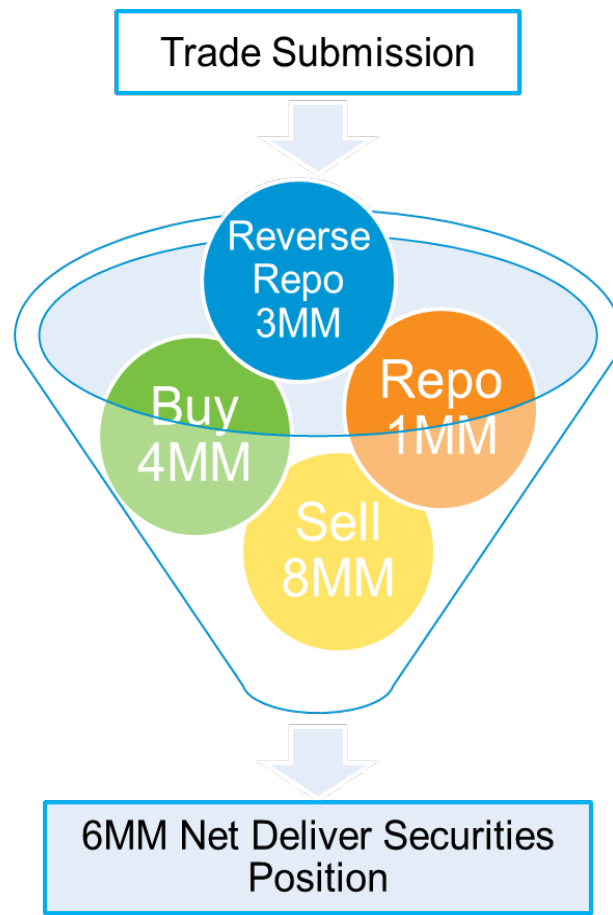
Establishes single net settlement obligation for member activity in each CUSIP.

DVP service - Includes buy/sell, repo activity, auction purchases and fails.

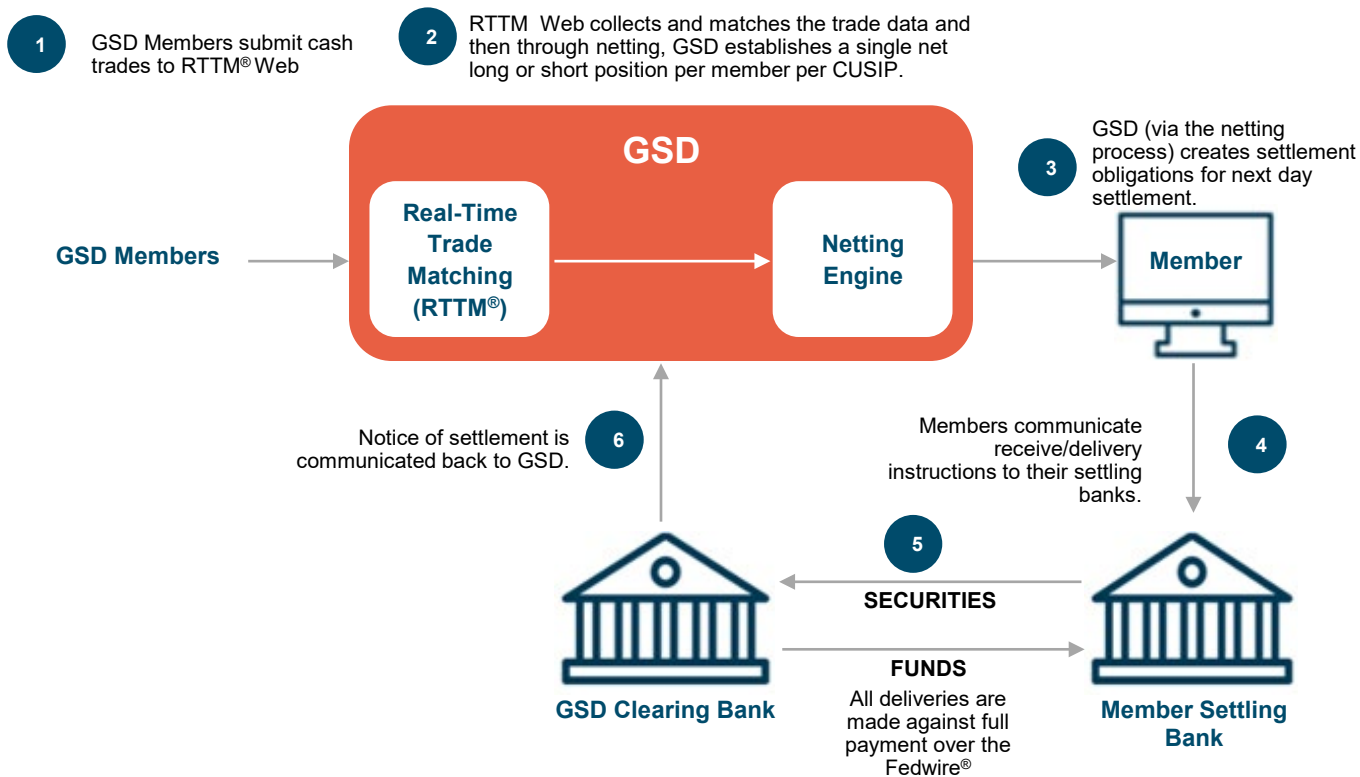
Tri-Party type services – Includes GCF Repo and CCIT activity.

Receive and deliver obligations established for net settlement positions.

Substantially reduces number of security movements required – associated risks are significantly reduced.



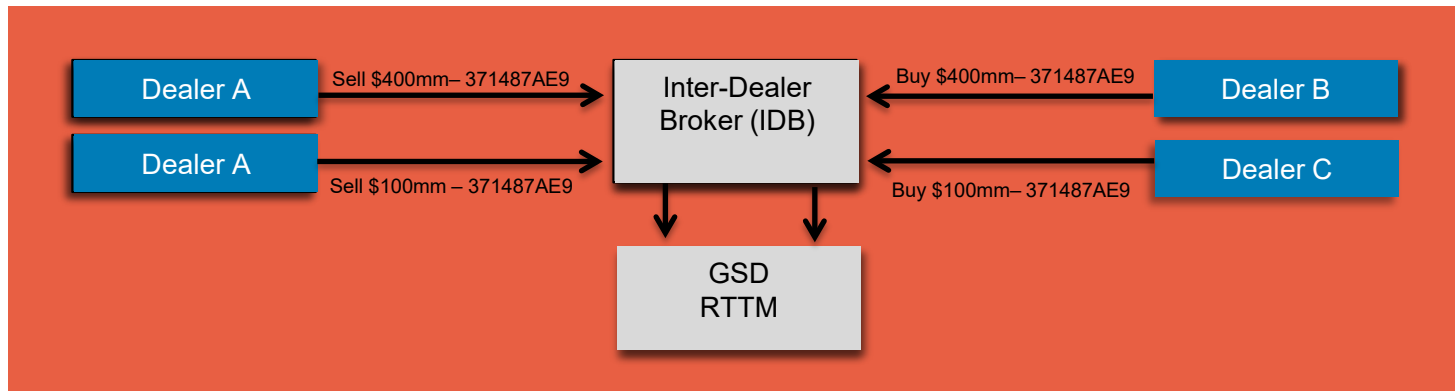
Generic Transaction Flow



GCF Repo

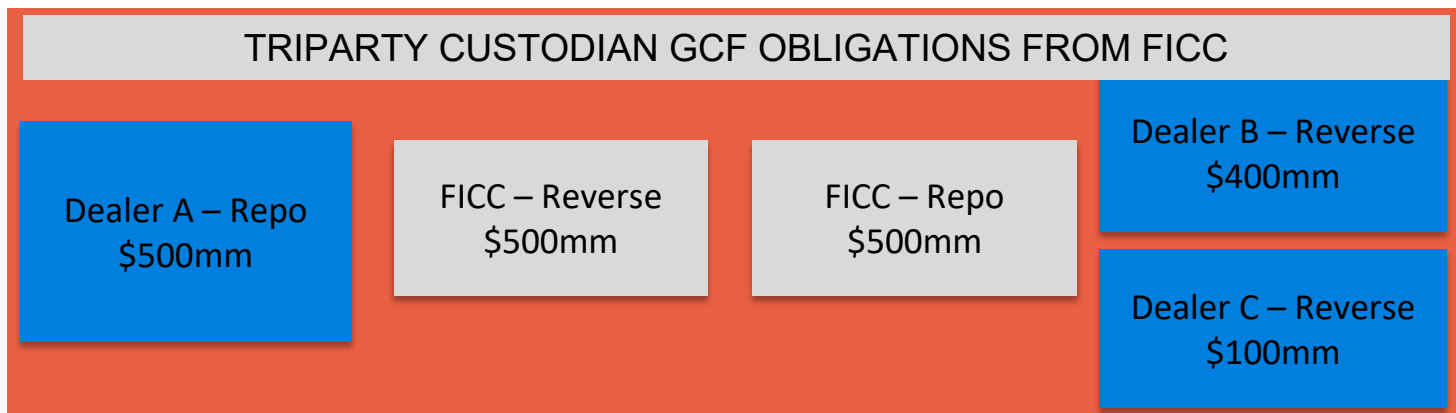
- GCF Repo Service is a tri-party type service.
- Eligible securities includes U.S. Treasuries, U.S. TIPS, Agencies, Fixed and Adjustable Rate Fannie, Freddie and GNMA.
- Allow dealers to freely trade general collateral repos based on rate and term.
- No intra-day trade-for-trade settlement required.
- Generic CUSIPs netted into single net settlement amount.
- Net borrowers of funds allocate collateral to receive funds.
- Transactions settle via the GCF Clearing Agent Bank's Tri-party platform.

GCF Repo Trade Flow



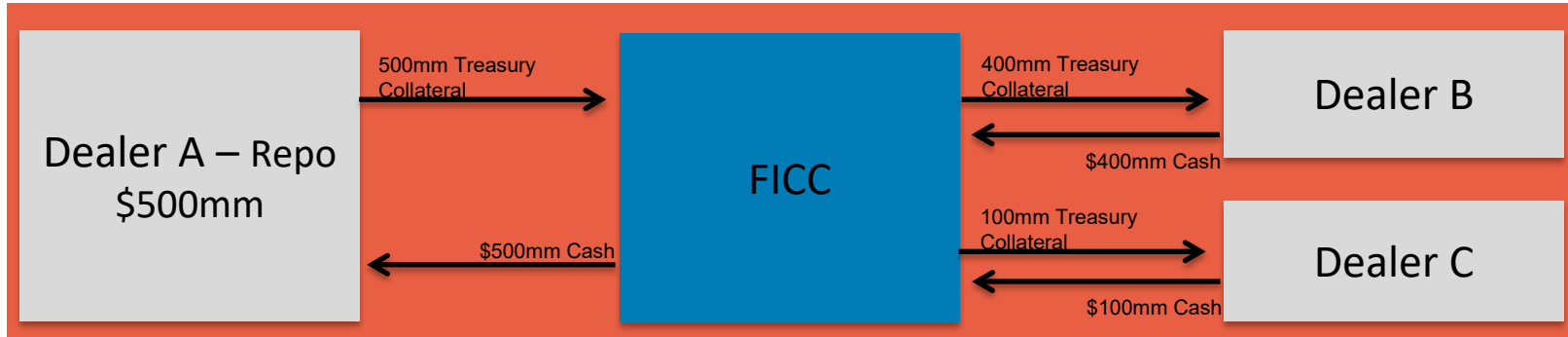
- Dealer A sells (Repo) \$400mm overnight in Treasuries to IDB.
- Dealer B buys (Reverse) \$400mm overnight in Treasuries from IDB.
- Dealer A sells (Repo) \$100mm overnight in Treasuries to IDB.
- Dealer C buys (Reverse) \$100mm overnight in Treasuries from IDB.
- IDB submits all trades to GSD.
- Dealers can affirm the trade electronically or via GSD RTTM Web application.
- GSD personnel monitor the affirmation process for exceptions throughout the day.
- 3:00PM – Cutoff for all GCF Repo trade submissions and dealer affirmations.

GCF Repo Netting Process



- Example from previous slide:
 - Dealer A: net seller (cash borrower) of \$500mm AE9.
 - Dealer B: net buyer (cash lender) of \$400mm AE9.
 - Dealer C: net buyer (cash lender) of \$100mm AE9.
- 3:10 PM: Netting process is run to calculate the net position for each dealer at the GCF Repo Generic CUSIP level.
- 3:20 PM: GSD provides netting output to the GCF Clearing Agent Bank and members.
 - Output is utilized by the GCF Clearing Agent Bank to create tri-party “shells” representing the GCF Obligation amount.
 - FICC is counterparty to all transactions / IDB nets down to 0.

GCF Repo Settlement Overview



- Netted GCF Obligations are created each day from the GCF net.
- All principal cash and securities settlement takes place at the GCF Clearing Agent Bank.
- GCF Clearing Agent Bank prices are utilized for valuation.
- Obligations are collateralized at 100% – no haircut.
- GCF Repo members have until 4:30 PM to collateralize their GCF Repo obligations and/or have cash to satisfy their GCF Repo obligations

Following Day

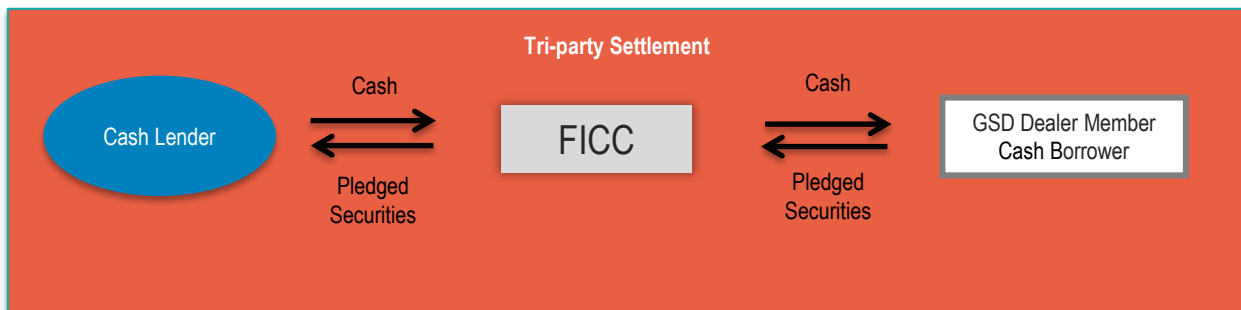
- Collateral stays locked up in reverse dealer's account until 3:30pm Eastern Time the following day.
- Intraday – individual CUSIP substitutions take place to allow for bilateral DVP settlement.

CCIT Service

- As an expansion of the GCF Repo service, the Centrally-Cleared Institutional Triparty™ (“CCIT™”) Service extends FICC’s CCP services and guarantee of completion of eligible trades to tri-party repo transactions between GSD dealer members and eligible tri-party money lenders.
- CCIT Members can only be cash lenders.
- CCIT Transactions are bi-laterally matched via the GCF Repo platform.
- Settlement is in conjunction with the GCF Repo settlement process and timelines.

CCIT Service: Trade Flow

Day 1: Settlement



Based on details of matched trades, FICC transmits Start leg settlement obligations to designated Clearing Bank.

Settlement Occurs:

Step 1: GSD Dealer Member Borrower pledges collateral to FICC.

Step 2: Clearing Bank validates collateral and value.

Step 3: FICC onward pledges collateral to Cash Lender.

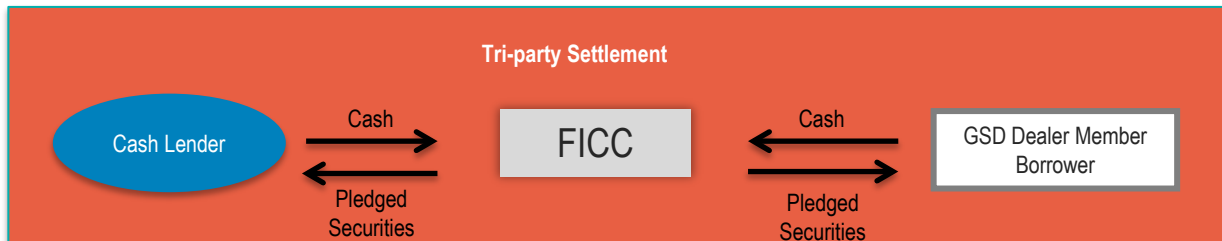
Step 4: Clearing Bank debits Cash Lender and credits cash to GSD Dealer Member Borrower via FICC's account.

CCIT Service: Trade Flow

During Life of Trade

Dealers can substitute pledged collateral during the day.

End of Trade



Assuming no other new trade was added, off leg of tri-party trade unwinds as follows:

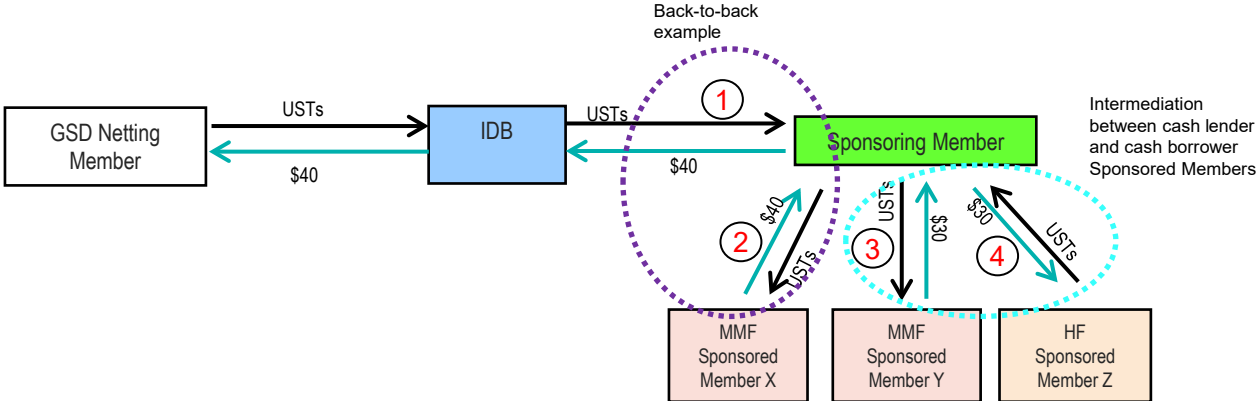
1. Step 1: Clearing Bank moves pledged collateral out of Cash Lender's account to FICC's account in exchange for cash - original value (interest paid via Funds Only Settlement).
2. Step 2: Clearing Bank moves pledged collateral out of FICC's account into GSD Dealer Netting Member Borrower's account in exchange for cash - original value (interest paid via Funds Only Settlement).

Sponsored Membership

- Sponsored membership at GSD offers eligible clients the ability to lend cash or eligible collateral via FICC-cleared repo throughout the day.
- Sponsoring Members facilitate their sponsored clients' GSD trading activity and act as processing agents on their behalf for all operational functions, including trade submission and settlement with the CCP.
- Any firm that is established in a permitted jurisdiction, satisfies the QIB standard and has at least one Sponsoring Member is eligible to be a Sponsored Member.
- Sponsored DVP Transactions may be executed as between a Sponsored Member and its Sponsoring Member (“Done With”), or between a Sponsored Member and a third-party GSD Netting Member (“Done-Away”).
- Sponsored GC Service allows Sponsoring Members to transact financing transactions with their Sponsored Members on a general collateral (GC) basis and settle those transactions on a tri-party repo system. Transactions settle on a trade for trade basis and novate once the start leg has settled.

Sponsored Model – Sample TSY DVP Repo Trade (“Done With”)

Trade Execution – Sponsoring Member executes repo trades with its Sponsored Members



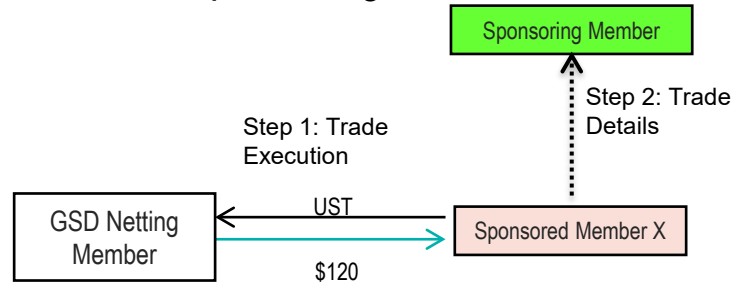
Trade 1: Sponsoring Member executes a \$40 Reverse Repo with an IDB (note: this Reverse Repo could have also been executed by the Sponsoring Member directly with another GSD Netting Member).

Trades 2 and 3: Sponsoring Member executes two Repos versus MMF Sponsored Member X (\$40) and MMF Sponsored Member Y (\$30), respectively. MMFs are lending cash to the Sponsoring Member.

Trade 4: Sponsoring Member executes a \$30 Reverse Repo versus HF Sponsored Member Z, where a Sponsoring Member is reversing in securities from a HF.

Sponsored Model - Sample TSY DVP Repo Trade (“Done Away”)

Sponsored Member executes a trade with a GSD Netting Member other than its Sponsoring Member.

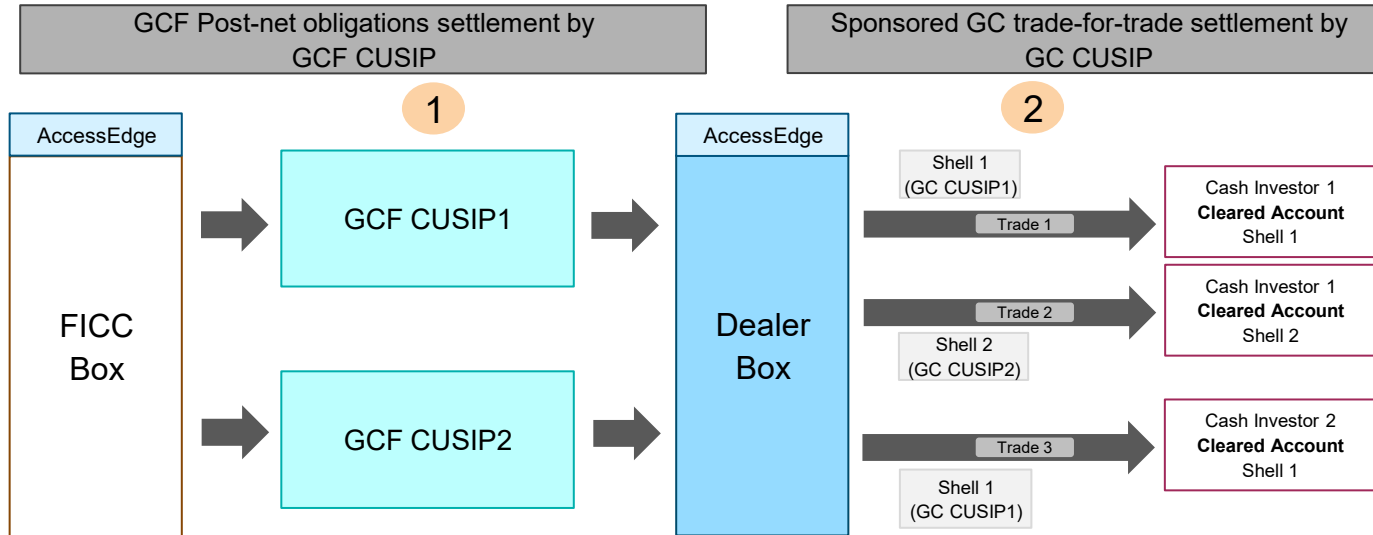


Step 1 – Trade execution: Sponsored Member X executes a trade with a GSD Netting Member other than its Sponsoring Member.

Step 2 – Notification of trade details: Sponsored Member X notifies its Sponsoring Member of the executed trade details.

Sponsored Model – Sample Sponsored GC Repo Trade

Start Leg Settlement – Example shows when the source of securities is GCF

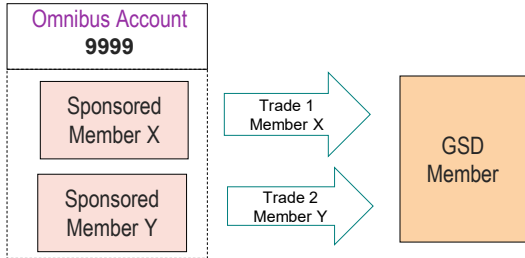


- (1) The left side of the picture shows post-net settlement of GCF obligations. Securities are allocated from FICC's GCF account on the Tri-party system to Sponsoring Member's Dealer box on AccessEdge.
- (2) The right side of the picture shows trade-for-trade settlement of Sponsored GC Trades. Sponsored GC Trades settle directly between a Sponsoring Member and its Sponsored Members.

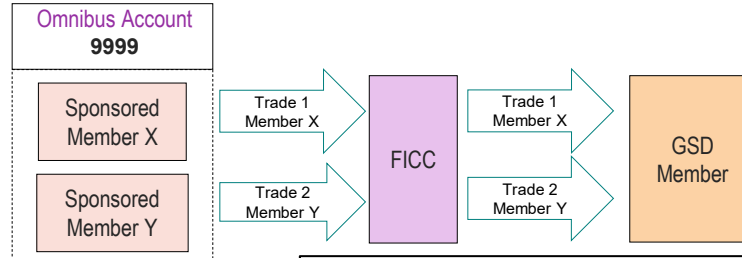
Important: Novation of a Sponsored GC Trade takes place only if a start leg of that trade settles by 5:30pm ET on the Tri-party system.

Sponsored Member Risk Management

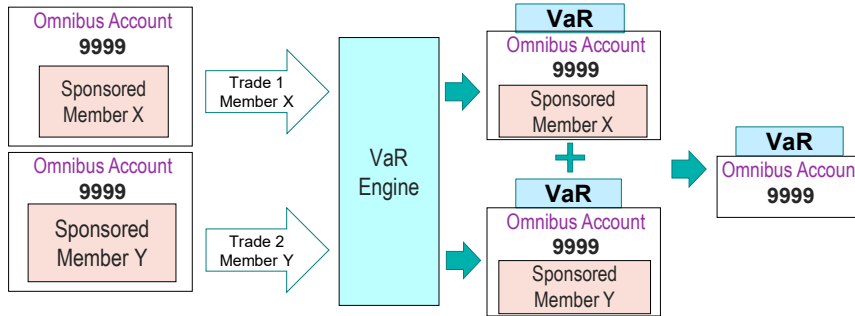
1 Trade Execution. Each trade has a Sponsored Member identifier



2 Trade Novation. Each trade is Novated to FICC



3 Risk Management



Each Sponsored Member trade flows to the risk engine with an Omnibus Account and the Sponsored Member client "symbol" identifier.

There will be 2 VaR numbers calculated:
 1 for account 9999-X, which will include 1 trade for Sponsored Member client X, and 1 for account 9999-Y which includes 1 trade for Sponsored Member client Y.
 VaR number for the Omnibus Account 9999 will be the sum of VaR numbers for 9999-X and 9999-Y.

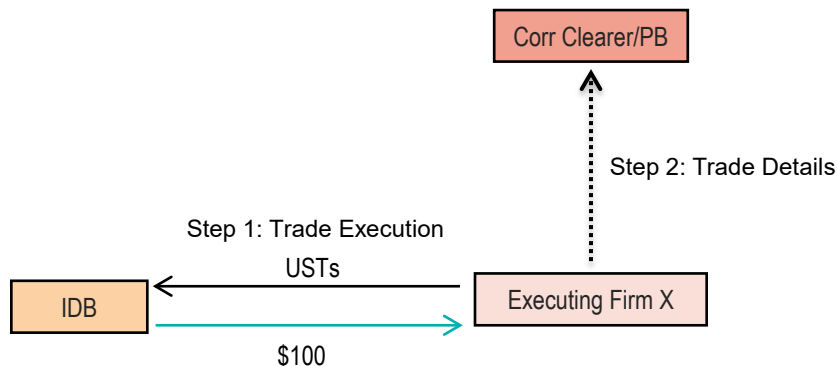
Note 1: Sponsored Members are not currently eligible to participate in the FICC/CME cross-margining arrangement.
Note 2: FICC does not have a separate Guaranty Fund. Clearing Fund deposits of GSD Members are subject to loss mutualization subject to the Loss Allocation Cap described in FICC/GSD Rule 4, Section 7.
Note 3: Sponsored Members are specifically excluded from loss mutualization obligations to FICC pursuant to Section 12 of FICC/GSD Rule 3A.

Correspondent Clearing and Prime Brokerage Clearing

- GSD Netting Members that are correspondent clearing firms or prime brokers (referred to as the “Submitting Member” in the GSD Rulebook) are permitted to submit to FICC transactions on behalf of their clients that are not GSD members (referred to as “Executing Firms” in the GSD Rulebook).
- Executing Firms are represented by ticker symbols mapped to the relevant Submitting Member.
- The Submitting Member can submit eligible transactions executed by an Executing Firm with another GSD Member to either (1) its own GSD Member account or (2) a separate GSD Member account that it may establish for such activity.
- Eligible transactions include outright purchases and sales of U.S. Treasury and Agency securities, as well as two-directional (i.e., cash borrowing and cash lending) overnight and term DVP repo.

Corr Clearing / PB Clearing Model - Sample Cash TSY Trade

Executing Firm executes trade with a GSD Member IDB



Step 1 – Trade execution: Executing Firm executes a trade with an Inter-Dealer Broker (IDB) that is a GSD Member.

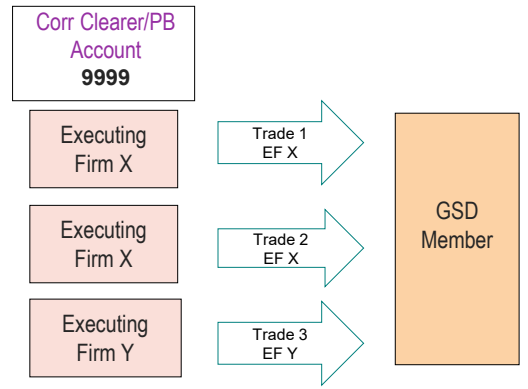
Step 2 – Notification of trade details: Executing Firm X notifies the Submitting Member of the executed trade details (vs. the IDB) so the Submitting Member can submit this trade to FICC for match.

Note 1: For Treasury cash activity, IDB may, but is not required by the GSD Rulebook to, have any of the following as counterparty to this trade: (i) another Netting Member, (ii) an Executing Firm cleared by the same or different Submitting Member, or (iii) a Sponsored Member.

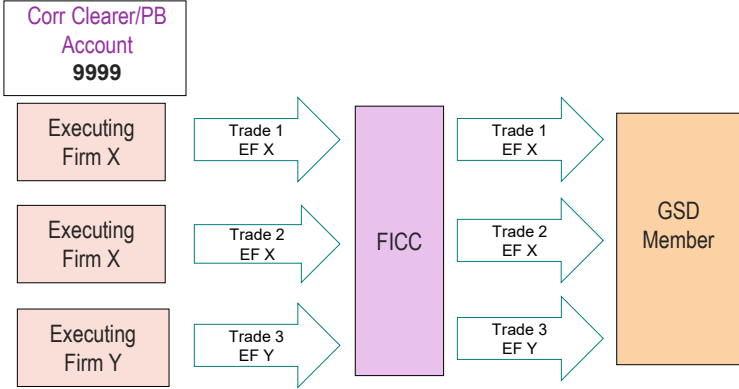
Note 2: For Treasury, Agency or Agency MBS repo activity, the IDB is required by the GSD Rulebook to have another Netting Member, or an Executing Firm on whose behalf a Netting Member is acting as an agent clearer, on both sides of the trade.

Corr Clearing / PB Clearing - Risk Management by FICC

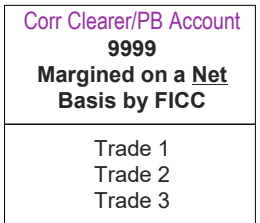
1 Trade Execution. Each trade has an Executing Firm identifier.



2 Trade Novation. Each trade is Novated to FICC.



3 CCP-Level Risk Management



Note 1: Submitting Member is subject to one net Clearing Fund requirement calculated to take into account any offset between the trades of 9999-X and 9999-Y.

Note 2: Executing Firms are not eligible to participate in the FICC/CME cross-margining arrangement.

Note 3: FICC does not have a separate Guaranty Fund. Clearing Fund deposits of GSD Members are subject to loss mutualization up to their Loss Allocation Cap described in GSD Rule 4, Section 7.

Risk Management

- Clearing Fund

- Clearing Fund is collected from Members to address the potential losses to FICC associated with liquidating a Member's portfolio in the event FICC ceases-to-act for that Member.
- On a daily basis, FICC calculates and collects Clearing Fund, using a risk-based margin methodology, which consists of multiple components intended to capture Member's portfolio risk.
- For GSD, SOD Clearing Fund deficits must be paid by 9:30 AM ET, Noon Clearing Fund deficits must be paid by 2:45 PM ET.
- GSD may call for additional Clearing Fund on an intraday basis to mitigate the market risk exposure in excess of certain thresholds, which requires funding within one hour of demand.

- Mark to Market

- Mark to market is performed and collected/paid twice a day on both the security and repo rates as part of the Funds-Only Settlement service.



PROPOSED TREASURY CENTRAL CLEARING

Laura Klimpel - General Manager of FICC and Head of SIFMU Business Development, DTCC

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U.S. TREASURY CLEARING

The Federal Reserve and several large firms across the industry voiced strong concerns almost 40 years ago about the safety and soundness of the existing processes for clearing and settling U.S. government securities, including the risks associated with the failure of key major firms, the inefficiency of manual paper processing of trade confirmations, and bilateral trade-for-trade settlement. In response, the Government Securities Clearing Corporation (GSCC) was established in 1970 to National Securities Clearing Corporation (NSCC) as an industry utility to provide for the clearing and settlement of U.S. government securities.

Like the role NSCC plays in the equities market, GSCC completed transactions and acted as the counterparty for settlement purposes for each net position.

This served an important role to maintain the liquidity and integrity of the market for U.S. government securities. From inception through 2020, GSCC cleared about \$3.6 trillion in trades involving U.S. Government securities.

GSCC was created in 2002 to give DTCC customers a consolidated, common approach to fixed income transaction processing by integrating the GSCC and the Mortgage Backed Securities Clearing Corporation (MBSCC). DTCC would continue to have the same core that GSCC and MBSCC provided, but through separate divisions: GSCC and Mortgage Backed Securities Division.

After the 2008 financial crisis, DTCC was designated as "systemically important," pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act. (Dodd-Frank). DTCC is regulated by the U.S. Securities and Exchange Commission and, under Dodd-Frank, is overseen by the Board of Governors of the Federal Reserve System.

The information and other resources available on our website are for informational purposes only and do not constitute an offer of any financial product or service. Please refer to the DTCC Risk Statement at [www.dtcc.com/riskstatement](#) for a discussion of the risks associated with participating in the clearing and settlement of U.S. government securities. The information is not intended to be used as a basis for investment decisions. The information is not intended to be used as a basis for investment decisions. The information is not intended to be used as a basis for investment decisions.

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How to Access Treasury Clearing as a Direct Participant? →



How to Access Treasury Clearing as an Indirect Participant? →



How Does GSCC Manage Risk? →



What Do We Think About U.S. Treasury Clearing? →



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WHAT DO WE THINK ABOUT U.S. TREASURY CLEARING?

DTCC position is that increased central clearing would provide numerous benefits to the U.S. Treasury market, including:

- Reducing counterparty credit risk by replacing the original parties to each trade with a central counterparty (CCP) that is subject to comprehensive regulation.
- Reducing settlement risk by netting across all CCP members so that each member has a single delivery or payment obligation.
- Limiting the ability of market maker movements to cause a default by collecting margin twice daily (or more frequently as needed) through standardized processing.
- Reducing the risk of market disorder and fire sales by centralizing responsibility for liquidating a defaulting member's positions in a single organization.
- Enhancing market access and increasing market liquidity by reducing the capital needed to engage in U.S. Treasury market activity.
- Enhancing the ability of smaller banks and independent dealers to compete through direct CCP membership.

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HOW TO ACCESS TREASURY CLEARING AS AN INDIRECT PARTICIPANT?

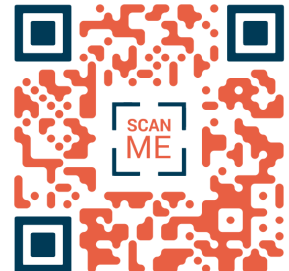
To further support the U.S. government securities market, GSCC continues to expand its capabilities by offering its central clearing services to eligible clients. As a result, there are now four categories of indirect members of DTCC. GSCC offers such clearing services to eligible clients through the Sponsoring Sponsored Member Service, Prime Broker Service, Commission Clearing Services and the Central Clearing Institutional Traders (CCIT) Service, which allows for a larger range of market participants to benefit from DTCC's risk management practices.

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- [FICC Client Clearing Capabilities](#)
- [FICC's Sponsor Program - Retail Investors](#)
- [Member Role Types](#)

Membership Types, Eligibility, Capital and Margin Requirements:

SPONSORING MEMBER	Sponsoring Membership
<p>MEMBERSHIP ELIGIBILITY REQUIREMENTS</p> <ul style="list-style-type: none"> • Must be a Bank/Netting Member to be a Category 1 Sponsoring Member. • Must be a Netting Member that is a Tier One Netting Member (with certain exceptions) to be a Category 2 Sponsoring Member. • Financial Responsibility – Applicant must have sufficient financial ability to make anticipated required deposits to the Clearing Fund and Funds Only Settlement Accounts. • Operational Capability – Applicant must successfully complete network and connectivity testing at the current FICC standards. <p>CAPITAL REQUIREMENTS¹</p> <ul style="list-style-type: none"> • An applicant is applying to become a Category 1 Sponsoring Member must have a level of equity capital at all of the end of the month prior to the effective date of its membership of at least \$5 billion and must be "well-capitalized" as defined in the applicable regulations of the Board of Governors of the Federal Reserve System. • If an applicant is applying to become a Category 2 Sponsoring Member has a bank holding company that is registered under the Bank Holding Company Act of 1956, as amended, the bank holding company must also be "well-capitalized" as defined in the applicable regulations of the Board of Governors of the Federal Reserve System. • The Corporation may impose financial requirements on a Netting Member applying to become a Category 2 Sponsoring Member that are greater than the financial requirements applicable to it in its capacity as a Netting Member based upon the level of anticipated positions and obligations, the anticipated risk associated with the volume and scope of transactions, and the overall financial condition of such applicant. <p>MARGIN REQUIREMENTS</p> <p>Applicants must post an initial Clearing Fund deposit based on the anticipated assumed of the Sponsoring Member's Central Clearing activity prior to going live. Participants as Sponsoring Member must meet a required Clearing Fund amount based on the Sponsoring Member's anticipated assumed of the anticipated positions and the market risk associated with those positions; this amount is calculated twice each year. Note: For purposes of calculating the Sponsoring</p>	<p>The establishment of a sponsored membership relationship between a Netting Member that is approved to be a Sponsoring Member and one or more entities that are accepted by FICC as Sponsored Members of such Sponsoring Member.</p> <p>MEMBERSHIP ELIGIBILITY REQUIREMENTS</p> <ul style="list-style-type: none"> • Must be a Bank/Netting Member to be a Category 1 Sponsoring Member. • Must be a Netting Member that is a Tier One Netting Member (with certain exceptions) to be a Category 2 Sponsoring Member. • Financial Responsibility – Applicant must have sufficient financial ability to make anticipated required deposits to the Clearing Fund and Funds Only Settlement Accounts. • Operational Capability – Applicant must successfully complete network and connectivity testing at the current FICC standards. <p>CAPITAL REQUIREMENTS¹</p> <ul style="list-style-type: none"> • An applicant is applying to become a Category 1 Sponsoring Member must have a level of equity capital at all of the end of the month prior to the effective date of its membership of at least \$5 billion and must be "well-capitalized" as defined in the applicable regulations of the Board of Governors of the Federal Reserve System. • If an applicant is applying to become a Category 2 Sponsoring Member has a bank holding company that is registered under the Bank Holding Company Act of 1956, as amended, the bank holding company must also be "well-capitalized" as defined in the applicable regulations of the Board of Governors of the Federal Reserve System. • The Corporation may impose financial requirements on a Netting Member applying to become a Category 2 Sponsoring Member that are greater than the financial requirements applicable to it in its capacity as a Netting Member based upon the level of anticipated positions and obligations, the anticipated risk associated with the volume and scope of transactions, and the overall financial condition of such applicant. <p>MARGIN REQUIREMENTS</p> <p>Applicants must post an initial Clearing Fund deposit based on the anticipated assumed of the Sponsoring Member's Central Clearing activity prior to going live. Participants as Sponsoring Member must meet a required Clearing Fund amount based on the Sponsoring Member's anticipated assumed of the anticipated positions and the market risk associated with those positions; this amount is calculated twice each year. Note: For purposes of calculating the Sponsoring</p>



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PANEL DISCUSSION

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Andrea Pfenning - Global COO for Clearance & Collateral Management, BNY Mellon

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